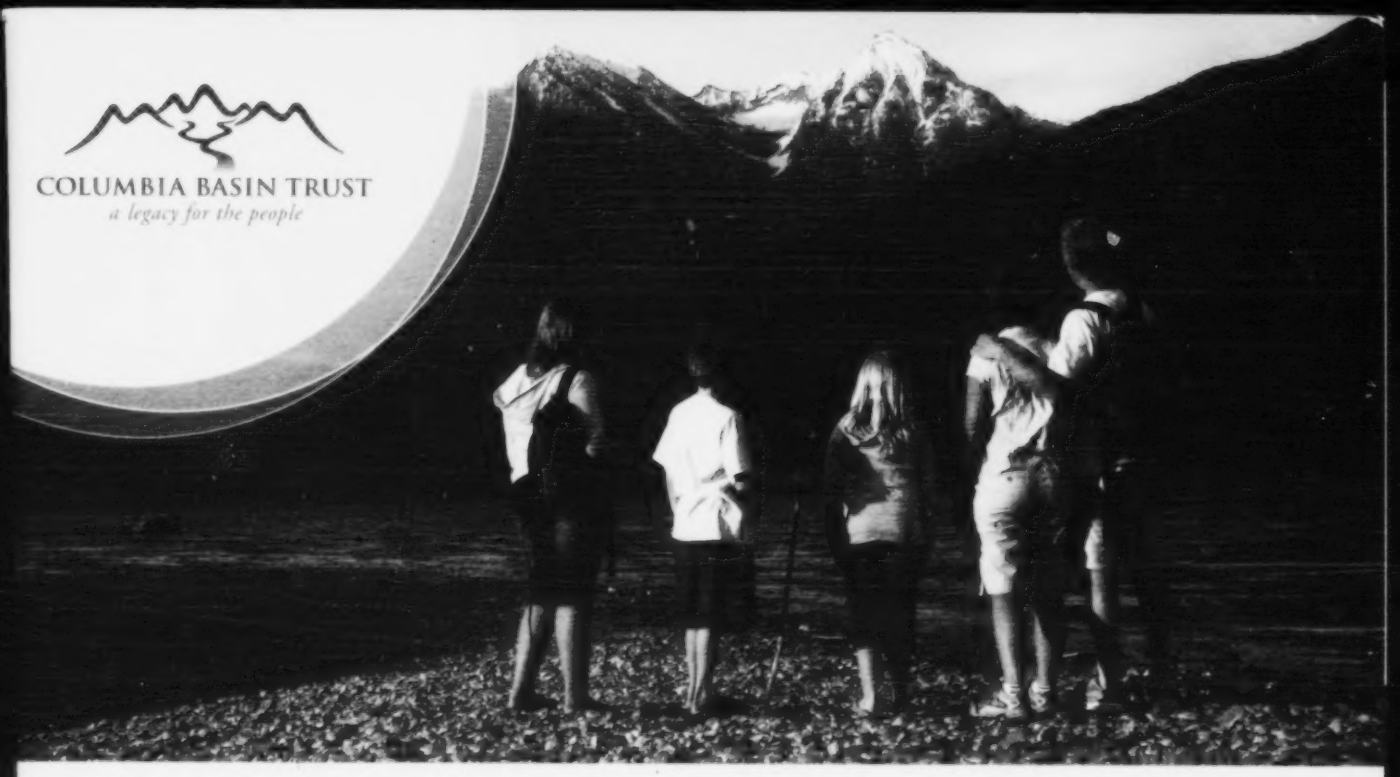
COLUMBIA BASIN TRUST
a legacy for the people



2007/08 ANNUAL REPORT

BUILDING A LEGACY

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TABLE OF CONTENTS

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
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Message from the Chair and CEO	02
Organizational Overview	04
Report on Performance	16
Governance	23
Management Discussion and Analysis	26
Financial Statements	36
Appendix 1	53

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"Over the past year, we set strategic priorities to address key issues that matter most to the people we serve and have a strong foundation from which to meet community needs."

Dear Minister Hansen and Basin residents,

The Columbia Basin Trust had a milestone year in 2007/08. With a broad mandate to strengthen the Columbia Basin region of BC, determining how to best focus our resources is an ongoing challenge for the organization. Over the past year, we set strategic priorities to address key issues that matter most to the people we serve and have a strong foundation from which to meet community needs. We also set priorities to impose discipline on ourselves and gauge whether we achieved what we intended.

One of our priorities is to focus attention on addressing environmental issues – issues with the potential to impact our daily lives in very real ways. This year, we began to help communities take tangible steps toward preparing for climate change impacts. We did this by making technical data available on the nature of those impacts and by hosting informational workshops and events throughout our region. In the next 12 months, we will be working closely with two communities to help them develop climate change adaptation plans. We also increased the support we provide to land conservation, making more funds available for conservation efforts in the western portion of the region we serve.

Another important focus for the Columbia Basin Trust (CBT) is collaborating with the youth of our region. We work regularly with an advisory committee made up of 12 young people from around this region. While the members of this committee receive mentorship, they also help us make important decisions about how to engage with young people and how to address their needs. In 2007/08, CBT supported the efforts of youth centres in the region by bringing centres together in a coalition that creates access to professional development and shares lessons learned and best practices from both within and outside the region. Stronger youth centres in our communities will mean a stronger, more involved youth population in the region.

This year was the first year in which we committed more than $6 million in programs and initiatives for the Basin, and we are pleased that our performance was consistent with our target. Following a comprehensive evaluation, we reconfirmed our commitment to one of our programs, Community Initiatives, which is delivered by local governments (five regional districts and the Ktunaxa Nation Council). Over the next three years, close to $40 million will be spent in communities through this program and through a related initiative, the Affected Areas Program. We also increased the financial contribution to one of our long-term partners, the Columbia Kootenay Cultural Alliance, so they can increase support to the heritage community in our region.

One of the lessons we have learned is that funding support is just one role to play in addressing issues. People of this region have asked us to provide information, to act as a facilitator on issues, and to broker partnerships. This year, we explored these roles. For example, in October 2007, we hosted a symposium on sustainability issues at Selkirk College in Castlegar, BC. With close to 300 people in attendance, we provided organizations and individuals with access to the latest information on how communities can plan effectively for change and address key issues.

While engaging with communities in the region is a key focus for the Columbia Basin Trust, we are safeguarding our means of providing support to communities by acting as effective stewards

over our own resources. We have adopted a Statement of Investment Policies and Procedures to guide the management of our investment portfolio. The next step in ensuring effective stewardship of our investment portfolio is the development of meaningful performance measures for each key component of our portfolio. Those measures appear in this annual report.

In 2007/08, we experienced positive results from our Private Placement investments, exceeding our target rate of return, while increasing our holdings again in congregate facilities in the region. Although the return from Power Projects was slightly below our target, the Brilliant Expansion project reached commercial operation in September 2007. With new investments generating income, our revenues grew by $3 million this year.

We also want to ensure that we are a resilient organization in the long term. This year, we put in place a number of policies and procedures, ranging from human resources to financial management, which strengthen our ability to deliver on our mandate. We also exceeded our performance target, with the cost of corporate operations being a much smaller percentage of our overall revenues.

All of our accomplishments over the past year have been made possible with the efforts of volunteers, partners, staff and board members. Their contributions help build the legacy we envision for this region. We would also like to thank Ron Oszust, our Vice Chair, for his work with CBT over many years. We wish you well.

The 2007/08 Columbia Basin Trust Annual Report was prepared under the board's direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The board is accountable for the contents of the report and is also responsible for ensuring internal controls are in place so that performance information is measured and reported accurately and in a timely fashion.

The information presented reflects the actual performance of the Columbia Basin Trust for the twelve months ended March 31, 2008, in relation to our February 2007 Service Plan. The measures presented are consistent with the Columbia Basin Trust's mandate, goals and strategies and focus on aspects critical to CBT's performance.

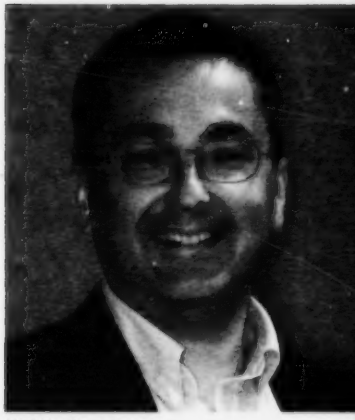
All significant issues as of May 30, 2008, have been considered in preparing the report. The report contains estimates and interpretative information that represent the best judgment of management. Any changes in mandate direction, goals, strategies, measures or targets and any significant limitations in the reliability of data are identified in the report.

Sincerely,

Garry Merkel
Chair

Neil Muth
CEO

Garry Merkel, Chair



Neil Muth, CEO

ORGANIZATIONAL OVERVIEW

Our Mission

The Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

Our Vision

The Columbia Basin Trust is working toward a long-term vision for the future of the Columbia Basin that strives for the following:

- A Columbia Basin where social, environmental, and economic well-being are fostered.
- The establishment of collaborative relationships and partnerships across the Basin, where communities work together in a spirit of mutual support and respect for each other's differences and where residents identify with a Basin culture, feel a sense of belonging to a Basin community and are involved in community decision-making.
- A healthy environment that serves as the basis for social and economic activities, where residents are committed to long-term and enduring stewardship of the Basin's natural resources.
- An economy that is diverse, resilient and energized. Communities that are responsive to both the needs of the present and the future and where community enhancement initiatives are widely supported and residents share responsibility for their implementation. Practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

The Columbia Basin Trust will also be guided by a long-term vision of itself as a regional corporation with the following important components:

- a successful portfolio of investments in the Basin that help to stimulate the regional economy and provide a reliable stream of income for use in the Columbia Basin Trust's Delivery of Benefits activities,
- a proven track record in delivering social, economic and environmental benefits to the Basin and its residents,
- well-established and productive working relationships with others in the Basin whose activities relate to the Columbia Basin Trust's mandate, and
- consistent and widespread public support for the Columbia Basin Trust's activities based on meaningful public input and the Columbia Basin Trust's responsiveness to the needs of the Basin and its people.

Our Values

Respect
CBT treats people with respect, welcoming varied perspectives and viewpoints and honouring the history of the Basin and the origins of the organization.

Accountability
CBT is responsible for all of its actions and the results of those actions.

Transparency
CBT maintains a high level of openness, sharing meaningful and accurate information about its actions.

Engagement
CBT recognizes that active involvement in communities is critical to its overall success.

Empowerment
CBT helps others make their own choices on issues that affect their future and sees those choices result in positive outcomes.

Stewardship
CBT manages all of its assets responsibly to ensure both present and future generations of Basin residents benefit from those assets.

Core Functions

Established by the *Columbia Basin Trust Act* in 1995, CBT has two core functions: (1) invest capital and manage the assets of CBT and (2) spend the income earned from CBT's investments to deliver benefits to the Columbia Basin.

Endowments provided by the Province of BC to CBT represent a return on some of the financial benefits stemming from the Columbia River Treaty to the most affected region—the Columbia Basin. CBT manages the endowments through its Investment Program to fund its Delivery of Benefits activities. Through the Delivery of Benefits, community programs and initiatives are supported, fostering quality of life and addressing critical issues in the Basin.

DELIVERY OF BENEFITS

The Columbia Basin Trust develops, implements and manages programs and initiatives that respond to community needs, working closely with Basin residents throughout this process. CBT addresses local priorities, brings people together around key issues, distributes information, encourages collaboration, and provides funding. This work is how CBT delivers social, economic and environmental benefits in the region, creating a legacy for present and future generations.

CBT partners with existing groups across the Basin in delivering benefits. By partnering with and supporting local organizations, everyone achieves greater results.

A sincere thank you to CBT partners and advisors, including each of the five regional districts in the Columbia Basin, along with the Ktunaxa Nation Council, Columbia Kootenay Cultural Alliance, The Land Conservancy of BC, Columbia Kootenay Fisheries Renewal Partnership, Columbia Basin Environmental Education Network, Steele O'Neil and Associates, East Kootenay Conservation Program and Columbia Basin Alliance for Literacy for working with CBT to advance the social, cultural, economic and environmental health of Basin communities.

For a full description of CBT programs and initiatives, visit **www.cbt.org**.

Over the past year, CBT has identified strategic priorities to guide its Delivery of Benefits activities. Here are some of the stories from the region:

Strategic Priorities

1. **Improve environmental conditions in the Basin.**

2. **Identify social and economic priority issues and implement mechanisms to address them.**

3. **Improve Basin residents' understanding and involvement in water.**

4. **Work with youth in the Basin to ensure they are actively engaged in addressing economic, social and environmental issues in the Columbia Basin.**

Key Focus Area
Continuing to foster quality of life and address critical issues in the Basin

Conservation of Basin Lands

The Columbia Basin is home to an abundance of natural resources, critical habitats and diverse species. The spectacular natural surroundings and the associated opportunities and way of life are what draw visitors and inspire many to stay and reside in this region. Environmental health is inextricably linked to human health and welfare, as well as the health of the regional economy. Recognizing this, CBT provides support to many Basin initiatives working to maintain and improve the environmental integrity of the Columbia Basin.

In consultation with Basin residents, CBT has cited long-term stewardship of natural resources as a priority. Residents of the Columbia Basin are fortunate to live in areas of ecological significance filled with rich culture and history. To ensure the integrity of these areas, CBT works with conservation organizations to identify properties with ecological, cultural, social and economic significance to Basin communities. Financial support provided by CBT assists in conserving these areas and a range of community values through land acquisition, conservation covenants and education of sustainable land stewardship.

Through these cooperative efforts, CBT has protected a dozen critical areas in the Columbia Basin to date and is strengthening this successful initiative. CBT has increased its annual budget for 2008/09 as a result of input from partner organizations and Basin residents.

"Literacy has the power to change people's lives. We have seen this. As we plan together, become better connected, and work more collaboratively for literacy, our communities will become stronger, healthier, and more inclusive places for people to live."

Betty Knight
Regional Program Manager
Columbia Basin Alliance for Literacy

Literacy in the Columbia Basin

Literacy is essential to ensuring the health, vibrancy, and quality of local communities and families. There are significant literacy and basic skills issues in communities across BC, including those in the Columbia Basin. Young people continue to drop out of school. Many are graduating without basic reading and writing skills. Families are seeking help in supporting their children. The International Adult Literacy and Skills Survey shows that almost 40 per cent of adults in BC, including 35 per cent of the working-age population, have literacy skills that are not sufficient to participate fully in the workforce, in their community or in many areas of modern life.

To ensure a legacy of social well-being, CBT provides financial support to the Columbia Basin Alliance for Literacy (CBAL) for its exceptional work in building literacy programs in Basin communities. CBAL began its efforts in 2000, with five literacy programs. Now in its seventh year of operation, CBAL has created 115 successful literacy programs in 16 Basin communities. Last year alone, more than 4,000 adults and children participated in these programs. Through partnerships and collaboration with community groups, including schools, colleges, and libraries, CBAL offers programs that are designed to best meet the specific needs of the community.

By building the literacy levels of residents, CBAL is helping to build a stronger region.

Bringing History to Life

The Sullivan Mine was once the largest underground lead and zinc mine in the world, employing 65,000 workers from its discovery in 1892 until it closed in December 2001. The City of Kimberley was born through the mine's success, and it continued to be a key pillar in the community's economy until it closed. Recognizing the mine's deposits would eventually be depleted, the City of Kimberley began to consider its future as a tourist destination as early as the 1970s. With the hard work and

dedication of the Sullivan Mine and Railway Historical Society, and countless volunteer hours, this vision has now been realized.

On May 19, 2007, the Sullivan Mine Historical Society opened the doors to the Sullivan Mine Interpretive Centre, marking a new path for the community of Kimberley.

Ten years ago, the first phase of the Sullivan Mine project began, and it now consists of tours through historical sites that detail mining and describe the social history of the area. The tour includes a theatre replica that existed from the 1920s to the 1940s, a school that operated in the early 1900s, a re-creation of a typical 1920s miner's residence, and the powerhouse that provided compressed air and DC power and was the driving force of the Sullivan Mine from 1916 until 2001.

They didn't stop there. The society developed the next phase of the project, and today people may also tour through a one-of-a-kind, 200-metre underground tunnel, by train, to an authentic mining refuge station. Here visitors can take guided walking tours featuring live demonstrations of old-time mining equipment, as well as historical displays. This underground centre offers visitors a rare look at hard-rock mining, the industry that fuelled the growth of Kimberley, BC.

The Columbia Basin Trust is proud to be a supporter of the centre, providing funds for the second phase of this remarkable project. A number of upgrades are planned, including the powerhouse building, which houses six massive compressors, some 100 years old, that operated until the mine closed.

The Sullivan Mine Interpretive Centre is a celebration of Kimberley's rich history and a legacy for future generations.

"Canada, the Province of British Columbia and the City of Kimberley are now all richer due to the preservation of the history of a significant example of Canada's extensive mining history."

Mick Henningson
President of the Sullivan Mine and Railway Historical Society

"Awareness is the first step to changing the path this planet is on. Youth involvement and commitment will be the key to hope for our future."

Katelyn Jmaeff
Project Coordinator
Inspiring Youth for Change

Youth Initiatives: Inspiring Youth

Young people are an integral part of a legacy of social, environmental and economic well-being for the Columbia Basin. The Columbia Basin Trust has been actively developing youth programs and initiatives that cultivate fundamental skills and leadership for young people to become engaged community members.

To facilitate this, CBT formed a Youth Advisory Committee in 2000. Their unique perspective guides the selection of strategic priorities, as well as grants to youth program partners.

One such project is the Environment, Peace and Social Justice Conference organized by Inspiring Youth For Change (IYC). Out of concern for the challenges facing the world today, this incredible group of youth came together with several adult mentors to begin planning. Their goal was to coordinate an event to educate and inspire youth to take action in making a difference, and to celebrate the valuable work that is being done to create positive change. While researching for and planning the conference, the groups resolve to inspire and create change grew even deeper.

More than 800 youth from around the Columbia Basin came together at the Environment, Peace and Social Justice Conference. Energy was high and participants felt inspired and empowered to take action in creating a better world. At the conference, IYC and participating youth mapped their vision for a perfect world in the form of a declaration. It outlined the need for a more just and environmentally sound world and steps to achieving this. The declaration was hand-delivered in Ottawa by IYC six months later and all members of parliament received a copy of it.

Strategic Priorities

5. Improve support to communities and organizations by increasing CBT's local presence in the Basin.

6. Have vibrant advisory committees.

Key Focus Area
Improving Community Engagement

CBT is proud to have provided the funds necessary to IYC for its Environment, Peace and Social Justice Conference. It is through partnerships with youth, such as IYC, that CBT is working to build a legacy of well-being for Basin communities.

Affordable Housing

The announcement of a new ski resort development to be built just outside of the City of Revelstoke brought a much-needed economic boost to the City. However, it also placed additional stress on a growing housing market. The resulting increase in housing costs made it difficult for some of those working and living in the community to afford housing.

The City recognized the challenges ahead and considered options for addressing this critical issue. They held community meetings to solicit input from residents and brought in experts in this field to offer advice. Their first task was to address home ownership and affordable housing options for long-term residents. To this end, the City donated large areas of land, worth over ten million dollars, and formed the Revelstoke Housing Society (RHS) to oversee the project. The City of Revelstoke and the RHS partnered with CBT, who provided the funds necessary to complete a site plan and design for the new affordable housing units.

Once this housing project is completed, units will be made available for local residents to purchase at a more affordable price. Safeguards to ensure the long-term affordability of the units have also been put into place.

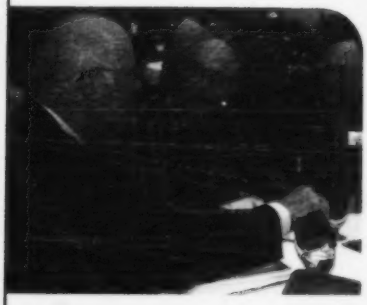
Through vision and hard work, the City of Revelstoke, with support from CBT, is working to build a legacy of sustainability for the community. CBT will explore ways to be involved in helping to support communities, like Revelstoke, address the tremendous changes facing Basin communities.

Change and Sustainability in the Columbia Basin

One important way CBT engaged with communities this past year was to host the fifth Columbia Basin Symposium. Events like this provide opportunities for residents and community leaders to talk, learn, connect and listen. By bringing Basin communities together, CBT can work with residents to find solutions to shared challenges, celebrate accomplishments, and strive for greater self-sufficiency.

"By engaging with communities on a regular basis, we are better able to meet the needs of a community."

Lynda Lafleur
Community Liaison
Columbia Basin Trust



"This year's symposium brought together residents from across the region to discuss issues we face every day, issues that affect our communities and our livelihoods. They are also issues that will affect our children and grandchildren. Today's solutions to those issues, the solutions that we implement, will impact future generations. We have to consider this as we deal with change."

Garry Merkel
Chair
Board of Directors
Columbia Basin Trust

This symposium's theme was "Change and Sustainability." Approximately 300 Basin residents came together and to learn from each other and from expert panellists.

The event opened with keynote speaker Mike Harcourt, former premier of BC and former Vancouver mayor, who discussed a variety of perspectives on sustainability issues, sharing stories from communities across Canada where focused sustainability planning is showing results. The expert panellists addressed topics and issues facing Basin communities, such as potential impacts of amenity migration, social and economic forces affecting rural populations, climate change, planning for sustainability, labour force issues and affordable housing.

Discussion was abuzz at the event's conversation cafés. Led by the Columbia Basin Trust board and staff, participants could drop into one or more conversation cafés, each focusing on an element of CBT's work. The cafés provided an opportunity for CBT to hear from Basin residents and community leaders about the challenges facing the region.

Since the symposium, CBT has responded to many issues that were raised, including sharing information on affordable housing strategies, facilitating work and discussion to assist in preparing for climate change impacts, and helping communities plan for change. Through ongoing dialogue and partnerships, CBT and Basin residents are working together to build a robust social, economic and environmental legacy for Basin communities.

Organizational Resiliency

Another key focus identified in CBT's strategic priorities is ensuring organizational resiliency. With a strong foundation in place, CBT will be able to build a lasting legacy in the Columbia Basin region.

Strategic Priorities

7. Build and maintain strong working relationships with business and financial industry professionals.

8. Remain fully engaged with management of Columbia Power Corporation during the pre-development and operating phases of our jointly held power projects.

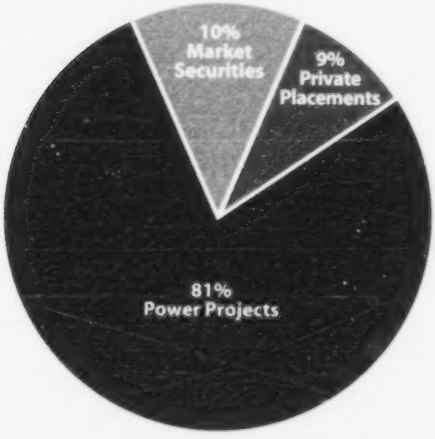
9. Ensure there is a strong, effective human resources framework in place to support the priorities of CBT.

10. Increase effectiveness and accountability through a clear, transparent strategic thinking and planning framework for CBT.

Key Focus Area
Ensuring Organizational Resiliency

INVESTMENTS

The purpose of CBT's Investment Program is to prudently invest the endowment received from the Province of BC, enabling continued delivery of long-term benefits to residents of the Columbia Basin. Income generated from investments is used to fund CBT's current and future Delivery of Benefits activities, as well as cover corporate operating expenses.



Income generated from investments is used to fund CBT's current and future Delivery of Benefits programs, as well as cover corporate operating expenses.

What Does the Columbia Basin Trust Invest In?

Power Projects

In joint venture partnership with Columbia Power Corporation (CPC), CBT invests in regional hydroelectric Power Projects, which include the following:

- **Brilliant Dam**
  Purchased in 1996, the joint venture partners purchased the Brilliant Dam, located approximately eight kilometres from Castlegar, BC, on the Kootenay River.
- **Arrow Lakes Generating Station**
  In 2002, construction was completed on the Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from the existing Hugh Keenleyside Dam on the Arrow Lakes reservoir, near Castlegar, BC.
- **Brilliant Expansion Project**
  In September 2007, construction was completed on the Brilliant Expansion project, located on the east bank of the Kootenay River, downstream from the Brilliant Dam.
- **Waneta Expansion Project**
  The joint venture partners have the rights to construct a new facility (expansion) downstream of Teck Cominco's Waneta Dam, outside Trail, BC.

Managing investment risks is as important to CBT as generating returns. CBT therefore observes the principles of commercial market due diligence when investigating investment opportunities.

Private Placements

Private Placements include all investments CBT makes in businesses located in the Columbia Basin region. The investments are broken into three general categories:

- **Real Estate**
  CBT has an ownership interest in a number of seniors care facilities located in the Basin. Collectively, these properties contain more than 680 living suites and offer a range of services depending on the needs of the resident.
- **Direct Lending**
  On a select basis, CBT invests directly in Basin-based businesses. These investments are exclusively managed by CBT, so all risks and returns accrue fully to CBT.
- **Loan Syndication**
  In partnership with regional credit unions, CBT invests in Basin-based businesses. These investments are managed jointly with the credit unions, and both parties share the risk, as well as the return.

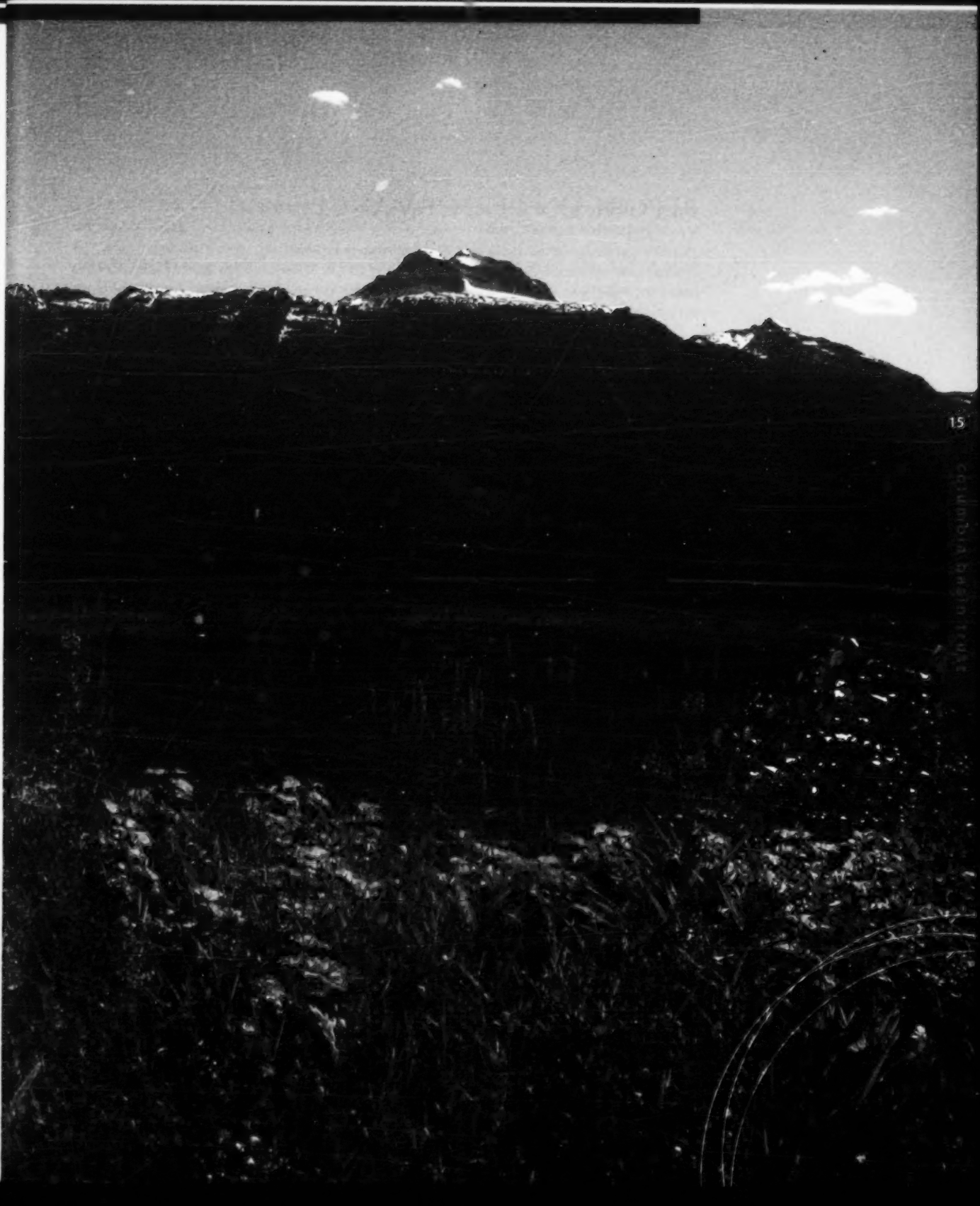
Managing investment risks is as important to CBT as generating returns. CBT therefore observes the principles of commercial market due diligence when investigating investment opportunities. Each of the three categories of Private Placements is required to generate a financial return to CBT that is commensurate with the level of risk assumed.

Market Securities

CBT's priority is investment opportunities in the Columbia Basin. However, given the limitations of investing in a small region, there is a balance of funds that is available for investment in a portfolio of Market Securities.

Market Securities include a range of investments such as short-term deposits, bonds, and equities. Target allocations for each of the investment categories are outlined in the Statement of Investment Policies and Procedures.

CBT is in the process of engaging an external professional investment firm to manage this portfolio and as of March 31, 2008, funds were held exclusively in short-term deposits.



REPORT ON PERFORMANCE

Since the 2007/08 – 2009/10 Service Plan was released in February 2007, some of CBT's targets have been adjusted. For reference, the strategies, measures and targets from February 2007 are available in Appendix 1.

Major goals for the past year included:

- **Delivery of Benefits:** Deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities.
- **Investments:** Generate a predictable, sustainable, and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.
- **Corporate Operations:** Support and enable the effective management of the Investments Program and Delivery of Benefits.

In 2007/08, the Columbia Basin Trust committed over $6 million in direct funding benefits to Basin communities by supporting a range of programs and leading a variety of initiatives.

DELIVERY OF BENEFITS

In 2007/08, the Columbia Basin Trust committed over $6 million in direct funding benefits to Basin communities by supporting a range of programs and leading a variety of initiatives.

CBT has a broad mandate, and as a result, the suite of programs and initiatives offered to residents is diverse. This diversity makes it challenging to set specific performance measures and targets and difficult to compare the performance of CBT to the accomplishments of more narrowly focused organizations.

Despite these challenges and difficulties in creating comparable performance benchmarks, CBT does actively monitor its programs and initiatives and is evaluating its success on a program-by-program basis. This information helps CBT assess the impact and performance of its programs. The target for 2007/08 was to evaluate at least one program. CBT picks the number of programs, and which ones to evaluate, based on resource capacity and funding cycles.

Over the course of the year, CBT completed the evaluation of the Community Initiatives Program and commenced the evaluation of another two programs: support provided to arts, culture and heritage, and the Training Fee Support Program.

The Community Initiatives Program is the longest-running CBT program, providing grants to community-based projects through partners in the region, local governments and the Ktunaxa Nation Council. An independent consultant evaluated the program, conducting interviews with partners, successful and unsuccessful applicants to the program, staff and the board. The consultant also utilized a survey process, seeking a range of feedback on the program. Overall the results of the evaluation were highly supportive of the program, with a number of recommendations made to improve program delivery and administration. As a result of the evaluation, CBT significantly increased funding to the Community Initiatives Program and made a three-year commitment to the program.

Late in 2007/08, CBT also began to evaluate another two long-running programs. For close to ten years, CBT has provided an annual funding contribution to the Columbia Kootenay Cultural Alliance, a regionally based organization that sponsors a variety of arts, culture and heritage projects. CBT also commenced an evaluation of the Training Fee Support Program, which provides access to education and training by giving grants for tuition and courses that lead to employment. The results of these evaluations will help CBT assess the impacts of these programs on the region and identify ways to improve program delivery.

Evaluating specific programs is just one aspect of managing Delivery of Benefits to Basin communities. On an ongoing basis, CBT must manage relationships with a variety of delivery partners responsible for directly administering programs. Where appropriate, CBT contracts on a multi-year basis, with partners, to provide greater stability. CBT also reviews its contracts to ensure any program risks are appropriately addressed.

In many instances, the most effective form of support CBT can provide to the region is through its staff. In addition to working with community groups on projects and providing access to funding, CBT staff work to provide meaningful information to communities, facilitate collaboration within communities, and act as resources. Staff tasked with these roles measure their progress against specific strategic objectives, and this information is also reviewed by the board.

In addition to working with community groups on projects and providing access to funding, CBT staff work to provide meaningful information to communities, facilitate collaboration within communities, and act as resources.

In considering ways to measure its performance, CBT has also been evaluating whether data on the social, economic and environmental well-being of the Columbia Basin can be used to help measure the impact of CBT programs and initiatives. This work is part of a pilot project, and during the previous year, CBT continued to develop this report on the overall well-being of the region. Various data sources were researched and consultations with potential users of the report were held. The report is currently being refined and will be released in 2008/09. CBT intended to complete public review of the prototype report in 2007/08, but this work was delayed as indicator data needed to be refined.

Benefits delivered by project and program

Results	2005/06	Three programs evaluated	CBT defined the next steps for its state of the Columbia Basin work
	2006/07	One program evaluation commenced	Development of prototype indicator report on the social, economic and environmental state of the Columbia Basin continued
	2007/08	Community Initiatives Program evaluated, two other program evaluations commence	Development of report continued
	2007/08	At least one program to be evaluated	Public review of prototype indicator report, review and revise where necessary
Targets	2008/09	At least one program to be evaluated	N/A
	2009/10	At least one program to be evaluated	N/A
	2010/11	At least one program to be evaluated	N/A

CBT is fortunate in that financial returns from its investments are increasing, meaning that CBT has more resources to dedicate to programs and initiatives. However, one of the main challenges for CBT is to ensure it has the organizational capacity to disperse these increasing financial returns. CBT set strategic priorities over the past year to assist in this process and will have to monitor staffing levels on an ongoing basis to ensure CBT is in a position to achieve these new priorities.

INVESTMENTS

After an extensive assessment and consultation process, the board of CBT adopted a Statement of Investment Policies and Procedures (SIPP) in July 2007. The SIPP governs the entire investment process and provides the policy framework required for prudent investment management.

In order to provide broader and more meaningful information to Basin residents, investment performance objectives have been refined to reflect the individual risk and return profiles for each of the three general categories of investment.

The SIPP establishes the objective of the Investment Program to generate a predictable, sustainable, and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses. There are three categories of investment that CBT will pursue in order to satisfy this objective:

Power Projects: Hydroelectric power projects located in the Basin region.
Private Placements: Direct investment in Basin-based commercial enterprises.
Market Securities: Portfolio of publicly traded financial instruments.

In the past, CBT had one investment performance objective: Nominal Annual Return on Non-Power Investments. In order to provide broader and more meaningful information to Basin residents, investment perform ance objectives have been refined to reflect the individual risk and return profiles for each of the three general categories of investment.

Power Projects: 8%, calculated as a Cash-Based Return on Investment.
Private Placements: 8%, calculated as a Cash-Based Return on Investment.
Market Securities: 6%, calculated as Return on Investment.

Over the next three years, CBT will evaluate the performance of its investments against the preceding performance objectives (2008/09 - 2010/11).

CBT chose a Cash-Based Return on Investment methodology for calculating financial returns from the Power Projects and Private Placements to clearly link returns from these investments to cash that would be available for Delivery of Benefits and corporate operating purposes. The Return on Investment methodology applied to Market Securities is similar; however this calculation includes cash returns as well as increases or decreases in the value of the securities themselves.

CBT was challenged to obtain market comparables as a basis for determining realistic performance objectives for Power Projects and Private Placements. In the case of Power Projects, the structure of investments, as defined by various agreements between the Province of BC, Columbia Power Corporation, and CBT, is challenging to reconcile against those commonly observed in the private market.

As such, it is difficult to compare the performance of the Power Projects against other hydroelectric facilities.

In the case of Private Placements, CBT is limited to investing in a relatively small geographic region and with the exception of a few larger credit unions, there are no reasonable market comparables from which CBT can base a performance objective.

Despite these challenges, CBT arrived at performance objectives for both Power Projects and Private Placements by evaluating historical performance and balancing those returns against those forecast over the next five years.

With respect to Market Securities, there are a great number of reasonable market comparables. In arriving at a 6% performance objective, CBT considered forecasted returns of similarly constructed securities portfolios, as well as historical returns observed in the general marketplace. Information in support of this objective was provided by BC Investment Management Corporation.

All values used in the calculation of investment returns are obtained from the audited financial statements. Returns were compiled by Accounting staff, and reviewed by Investment staff.

Power Projects
Cash-Based Return on Investment

	2005/06	2006/07	2007/08
1 Year	3.03%	9.52%	6.62%
3 Year	6.20%	6.18%	6.36%
5 Year	6.01%	7.54%	6.94%
10 Year	-	-	7.43%
Inception	7.27%	7.52%	7.43%

Private Placements
Cash-Based Return on Investment

	2005/06	2006/07	2007/08
1 Year	6.03%	9.10%	12.76%
3 Year	-9.23%	3.67%	9.26%
5 Year	-3.15%	-2.68%	-1.65%
10 Year	-	-	0.33%
Inception	-2.16%	-0.96%	0.33%

Previously reported returns have been restated to conform to the new performance objective standards. No information is available for Market Securities as this is a new category of investment for CBT and implementation of the portfolio is in process.

Power Projects

The 6.62% annual return for the Power Projects portfolio was below the 8% objective. Although returns from the Arrow Lakes Generating Station improved as a result of further recovery of costs to repair the intake channel, delays in completion of the Brilliant Expansion project effectively offset those positive results.

Brilliant Expansion

A major milestone was reached in September 2007 when the Brilliant Expansion project reached commercial operation, approximately one year behind schedule. Unfortunately delays in reaching this milestone were accompanied by a claim from the contractor for compensation in excess of that agreed to under the design-build contract. CBT and CPC disputed the contractor claim.

In order to settle this dispute, as well as move forward with completing additional site work required to take the project to substantial completion, a settlement agreement was reached whereby the contractor was paid a further $13.9 million and CBT and CPC assumed responsibility for certain remaining site work. Scheduling of this work is yet to be finalized, however it will necessitate a short-term shutdown of the facility that will materially impact revenue for 2008/09.

Revenue of $1.2 million for the Brilliant Expansion in 2007/08 was lower than forecast given the delay in reaching commercial operation. Notwithstanding the requirement for a short-term shutdown of the plant in 2008/09 to complete site work, revenue is expected to increase over the coming year.

Arrow Lakes Generating Station

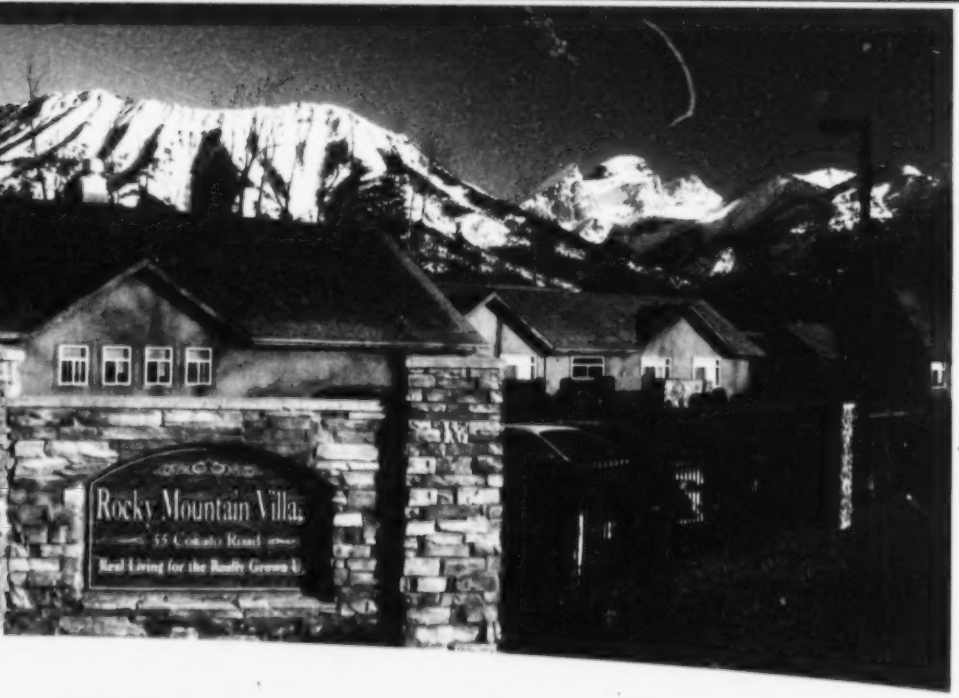
The Arrow Lakes Generating Station continues to perform well following the successful completion of repairs to the concrete lining of the intake channel in May 2006. CBT and CPC have been partially compensated for the costs incurred to repair the intake channel by the project insurer, and further amounts will now be received as a result of a mediated dispute resolution process. CBT and CPC incurred costs of approximately $51 million for the repairs and have now successfully recovered approximately $40.3 million (CBT's portion is half of these amounts). Revenue in 2007/08 of $10.8 million includes $6.5 million from operations, as well as $4.3 million from recoveries.

Brilliant Dam

The Brilliant Dam performed to forecast in 2007/08, generating revenue to CBT of $5.5 million. This represents a small increase over 2006/07 as a result of increased power sales and relatively unchanged operating expenses. Approximately $1.5 million has been forecast for capital improvements in the coming year, although certain other capital projects will be deferred until the Brilliant Expansion project reaches substantial completion.

Waneta Expansion

A major development milestone has been reached with the Waneta Expansion Project receiving the requisite environmental approvals from the provincial and federal governments in the spring of 2008. With these approvals in place, the project will advance to the next phase of development which includes a request for proposals to interested contractor/engineering teams, whereby design schemes and bid prices will be submitted to CBT and CPC for consideration. This process is expected to last into late 2008 or early 2009 and is a critical step in determining the economic feasibility of the project.



For more information on the market and industry risks impacting the power projects, visit **www.columbiapower.org.**

Private Placements

The return on Private Placements of 12.76% was materially higher than the 8% objective. CBT recognized a recovery of $650,000 of previously recorded loan loss provisions, and this was principally responsible for the higher than anticipated return. Excluding this one-time recovery, Private Placements generated a return of 9.22%.

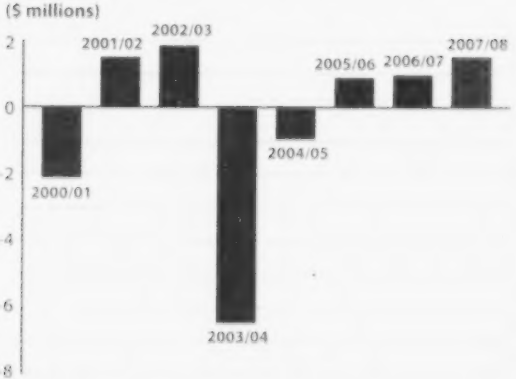
Three new real estate projects were undertaken in 2007/08 that will expand CBT's investment in seniors care facilities to 680 living suites in seven basin communities. A 32-unit expansion to the existing Crest View Village in Creston is expected to be complete by late spring, and an 11-suite expansion to Rocky Mountain Village in Fernie is expected by mid-summer. In addition to these expansions, a new 53-suite project was announced for the Village of Fruitvale. Construction started in the winter of 2007 and occupancy is forecast for November 2008.

Rental revenue from real estate grew to $2.5 million in 2007/08 and is expected to grow further to approximately $3.0 million in 2008/09. This segment of the Private Placement portfolio continues to meet or exceed financial expectations.

Income from commercial loans increased significantly to $1.5 million from $900,000 in 2007. Revenue from existing loans remained relatively static year to year, and the increase is attributable to a recovery of previously recorded loan loss provisions of $650,000. CBT continues to focus on balancing loan growth with prudent risk management, and in general is pleased with the favourable trend in net commercial loan income.

Net Commercial Loan Income

(Gross revenue less loan losses and provisions)



Market Securities

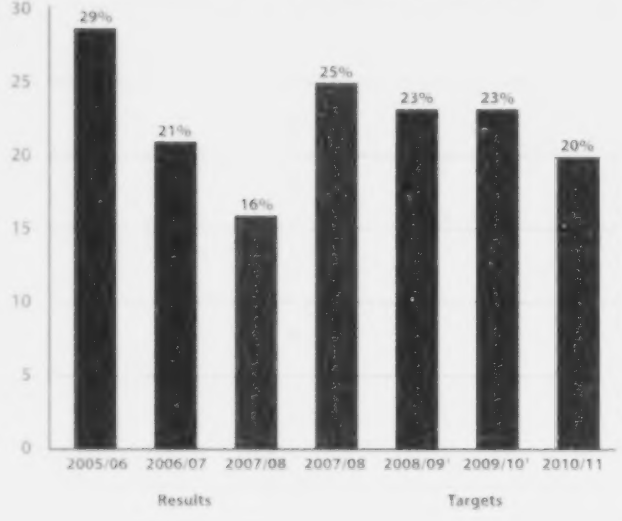
CBT is in the process of finalizing an agreement with an external investment manager that will be responsible for the operational management of the Market Securities portfolio. Once the agreement is complete, CBT's investments in Guaranteed Investment Certificates will be systematically transferred to the external manager, and the funds will be invested in a diversified portfolio of Market Securities.

CORPORATE OPERATIONS

Through its corporate operations, the Columbia Basin Trust aims to enable the effective management of the investments and Delivery of Benefits programs to best meet the needs of Basin communities. Corporate operations include CBT management, accounting, administration, information technology and human resources. The Province is providing $2 million per year for CBT's operating costs until 2010/11.

In 2007/08 CBT exceeded its target of 25%, set in February 2007 (as well as the updated forecast of 27% released in February 2008). Corporate operations as a percentage of revenues were much lower than the original target and the forecast, at 16%. This decline is a result of total revenues from investments being higher than forecasted. Power project income from the Arrow Lakes Generating Station was higher than anticipated due to recoveries from channel repair costs. These recoveries exceeded the amount originally forecast. Costs of corporate operations did not materially differ from the forecast.

Corporate operations as a percentage of revenues (%)



1. The targets for 2008/09 and 2009/10 have been adjusted since the release of the February 2007 Service Plan to reflect up-to-date financial forecasts.

Over the past year, CBT took a number of steps to improve the management of its corporate operations, including the review and revision of financial management policies and human resources policies. In the coming months, some of this policy work will continue to ensure there is a strong foundation from which to deliver benefits.

CBT prepares forecasts of its revenues and corporate operations costs quarterly and is able to report on its actual performance after fiscal year end once the external audit is complete. CBT forecasts are affected by information provided by the Columbia Power Corporation relating to the power projects. Columbia Power Corporation is the manager of the power projects, and therefore provides the financial forecasts to CBT.

GOVERNANCE

Governance is the set of principles and processes that direct and control the Columbia Basin Trust. Governance includes:

- the relationship between CBT's board of directors, management, stakeholders (Columbia Basin residents) and the shareholder (the Province);
- the division of responsibilities between the board of directors, management, residents and the shareholder; and
- the execution of responsibilities related to CBT.

In order to carry out its mission on behalf of Columbia Basin residents and remain an accountable organization, CBT establishes and follows sound governance principles and processes. The board of directors is committed to effective and responsible governance.

The Columbia Basin Trust's 12-member board consists of one appointee from each regional government in the Basin. These regional governments include five regional districts and the Ktunaxa Nation Council. Regional governments nominate these directors to the Province's Board Resourcing & Development Office and the appointments are made by the Lieutenant-Governor through an order-in-council. The other six directors are appointed directly by the Province. All 12 directors must be residents of the Columbia Basin. For a review of governance practices at CBT visit **www.cbt.org**.

In governing CBT, the board of directors is committed to upholding the core values of CBT established in the *Columbia Basin Management Plan* and acting in accordance with the following principles:

Preparation
Directors will ensure they are fully prepared to address the business of CBT.

Transparency
To the greatest extent possible, the actions and decisions of CBT, including those of the board of directors, will be transparent and open to Columbia Basin residents.

Participation and Commitment
Directors will ensure they participate fully as directors and are capable of meeting their commitments to CBT.

Service
The board of directors will act in the best interests of CBT, which serves the Columbia Basin region as a whole.

Left to right, top row:
Greg Deck, Paul Peterson, Denise Birdstone, Jim Miller, Ron Oszust, Jeannette Townsend, Garry Merkel, Ron Miles, Evelyn Cutts, Bill Trewhella, Mike Rouse. (Missing, Mike Berg)

Board of Directors

Garry Merkel, Chair	Greg Deck	Paul Peterson
Mike Berg	Ron Miles	Mike Rouse
Denise Birdstone	Jim Miller	Jeannette Townsend
Evelyn Cutts	Ron Oszust[1]	Bill Trewhella

Senior Management

Neil Muth, President & Chief Executive Officer
Wally Penner, Vice-President, Community Partnerships
Johnny Strilaeff, Vice-President, Investments

2007/08 Board Committees

The Columbia Basin Trust board committees address issues on behalf of the board of directors and report back to the board on a regular basis. Committees assess their performance against their Terms of Reference annually. Membership of the committees as of March 31, 2008, was as follows:

The Executive Committee oversees matters on behalf of the board of directors.
Garry Merkel, Greg Deck, Mike Rouse, Paul Peterson

1. Loni Parker replaced Ron Oszust as the nominee from the Columbia Shuswap as of April 1, 2008.

The Audit Committee is responsible for financial oversight and ensures that CBT's financial information is accurate.
Mike Berg, Ron Miles, Jeannette Townsend

The Investment Committee oversees the management of the CBT Investment Program and develops and reviews investment policies and procedures.
Mike Rouse, Greg Deck, Jim Miller, Denise Birdstone

The Delivery of Benefits Committee recommends an overall approach to returning benefits to communities and is responsible for the administration of the CBT Community Development Program. *Ron Oszust, Evelyn Cutts, Ron Miles, Denise Birdstone, Bill Trewbella*

The Water Initiatives Committee is responsible for developing and overseeing a strategy to address water initiatives in the Columbia Basin.
Evelyn Cutts, Jeannette Townsend, Ron Oszust, Paul Peterson, Bill Trewbella, Mike Berg

Boards of CBT Subsidiaries

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests in investments. The boards of these subsidiaries do not address policy matters. Directors for the following subsidiary boards consist of CBT senior management: *Neil Muth* and *Johnny Strilaeff*.

- **CBT Commercial Finance Corp.** holds CBT interests in commercial loans.
- **CBT Real Estate Investment Corp.** holds CBT interests in real estate.
- **CBT Venture Capital Corp.** is a non-operating holding company, as CBT has no active venture capital investments at this time.
- **CBT Energy Inc.** (CBTE) is the main CBT subsidiary related to power projects.
- **CBT Arrow Lakes Power Development Corp.** is a subsidiary of CBTE that holds its interests in the Arrow Lakes Generating Station joint venture with Columbia Power Corporation (CPC).
- **CBT Brilliant Expansion Power Corp.** is a subsidiary of CBTE that holds its interests in the Brilliant Expansion joint venture with CPC.
- **CBT Power Corp.** is a subsidiary of CBTE that holds interests in the Brilliant Dam joint venture with CPC. CBT Power Corp. also holds interests in the power project joint venture with CPC, which is responsible for assessing joint venture power projects before they are developed.

The Province of BC and Columbia Basin Trust

The *Columbia Basin Trust Act* established the Province of BC as the shareholder of CBT. Within the provincial government, the Minister of Economic Development is responsible for CBT.

The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the 1995 Financial Agreement and the *Columbia Basin Trust Act*. The Shareholder's Letter of Expectations further defines the roles and responsibilities of the Minister of Economic Development and CBT.

Visit **www.cbt.org** to view a copy of the Shareholder's Letter of Expectations.

TABLE OF CONTENTS

CBT Core Functions	27
Performance Summary	28
Key Resources and Competencies	30
Change in Accounting Policies	31
Organizational Overview and Risks	32
Comparison to Service Plans	33
Five-Year Review	34
Future Outlook	34

INTRODUCTION

This Management Discussion & Analysis of operations and financial condition provides management's perspective on performance over the past year. This discussion is to be read in conjunction with the consolidated financial statements and related notes for the year ended March 31, 2008. Forward-looking statements contained in this discussion are based on current expectations and are subject to a number of risks or uncertainties. The actual results, actions or events could differ materially from those set forth in this discussion.

1. CBT CORE FUNCTIONS

CBT has two core functions: (1) invest capital and manage the assets of CBT and (2) spend income earned from CBT's investments to deliver benefits to the Columbia Basin.

The three categories of investment that CBT invests in are Power Projects, Private Placements, and Market Securities. CBT is a fifty-fifty partner with Columbia Power Corporation (CPC) on four major power projects in the Columbia Basin. Private Placements consist of direct investments in

Basin-based commercial enterprises. Market Securities consist of a portfolio of publicly traded financial instruments.

From the income earned on the investments, CBT has a broad mandate to return social, economic, and environmental benefits to the Columbia Basin. These benefits are provided to the people of the Basin through Delivery of Benefits programs and initiatives.

2. PERFORMANCE SUMMARY

CBT experienced strong financial performance in 2007/08. Total revenues increased by over 20% to $23.2 million. The increase is primarily attributable to a $2.8 million increase in the power project revenues combined with a $1.0 million increase in investment income. Operating expenses, net of recoveries, have decreased by 3%. These factors provided an overall increase of 26% to operating income.

The following provides an overview of the financial results of operations for the year ended March 31, 2008:

(in thousands)

			Variance	
	2007/08	2006/07	Amount	%
Revenues				
Power Projects				
Brilliant Dam	$5,550	$5,114	$436	8.5%
Brilliant Expansion	1,177	-	1,177	0.0%
Arrow Lakes Generating Station	10,832	9,441	1,391	14.7%
Other	(183)	-	(183)	0.0%
	17,376	14,555	2,821	19.4%
Investment Income				
Income securities	1,872	1,498	374	25.0%
Business loans	1,509	878	631	71.9%
Real estate	340	346	(6)	(1.7%)
	3,721	2,722	999	36.7%
Contributions from the Province of BC	2,089	1,996	93	4.7%
	23,186	19,273	3,913	20.3%
Operating Expenses (net of recoveries)	3,800	3,929	129	3.3%
Operating Income	19,386	15,344	4,042	26.3%
Delivery of Benefits	5,350	5,256	(94)	(1.8%)
Excess of Revenues over Expenses	**$14,036**	**$10,088**	**$3,948**	**39.1%**

Power Projects

The Brilliant Dam realized net income for the year of $5.5 million, an increase of $436,000 compared to last fiscal year. This increase was due primarily to the average balance of debt declining, resulting in lower finance charges, coupled with an increase in power sales revenues.

The Arrow Lakes Generating Station received a significant recovery of the costs for the permanent repairs and losses related to the approach channel at Arrow Lakes Generating Station. This resulted in net income increasing by more than $1.4 million compared to 2006/07.

The delay in the commencement of operations at the Brilliant Expansion resulted in a lower than expected net income of $1.2 million.

Income Securities

Income securities revenues increased by $374,000 as a result of growing cash balances due to the receipt of dividends from CBT's joint venture power projects.

Business Loans

Recovery of a $650,000 loan loss provision was received in 2007/08. This recovery, combined with a slight decrease in expected business loan revenues, resulted in an overall increase in business loan income of $631,000.

Real Estate

Real estate revenues remained relatively constant at $340,000, a decrease of $6,000 over 2006/07. As new congregate care facilities are completed, revenues are expected to increase.

Operating Expenses (net of recoveries)

Operating expenses, net of recoveries, decreased by $129,000. This decrease was a combination of nominal increases throughout operating expenses and was offset by an increase in recoveries from joint venture partners.

Delivery of Benefits

Funding for CBT's Delivery of Benefits continues to increase, and through a range of programs and initiatives, over $5.35 million was dispersed in 2007/08 directly to Columbia Basin communities.

Cash-Based Return on Investments

CBT has calculated a Cash-Based Return on Investment for Power Projects and Private Placements, which clearly links the returns to cash available for Delivery of Benefits and operating expenses. The Power Projects portfolio Return on Investment was 6.62% and was below our 8% objective. Although returns from the Arrow Lakes Generating Station improved as a result of further recovery of costs to repair the intake channel, delays in completion of the Brilliant Expansion project effectively offset those positive results.

Funding for CBT's Delivery of Benefits continues to increase, and through a range of programs and initiatives, over $5.35 million was dispersed in 2007/08 directly to Columbia Basin communities.

Private Placements had a return of 12.76% and was materially higher than our 8% objective. CBT recognized a recovery of $650,000 of previously recorded loan loss provisions; this was principally responsible for the higher than anticipated return. Excluding this one-time recovery, Private Placements generated a return of 9.22%.

A similar methodology will be used for Market Securities, with an inclusion of increases or decreases in the value of the securities themselves. No information is available for this category as implementation of this portfolio is in process.

3. KEY RESOURCES AND COMPETENCIES

CBT staff play key roles in the Delivery of Benefits to the Columbia Basin region. Staff salaries are reported as a corporate expense for financial reporting purposes. Staff provide critical support to communities by acting as resources on a myriad of issues: improving Basin residents' understanding of water issues and climate change, building relationships, facilitating discussions on topical issues, and actively engaging with youth.

Liquidity and Capital Resources

In 2007/08, CBT received $17.1 million in dividends from its joint venture power projects. Business loan repayments totalled $550,000. These monies are placed in short-term income-generating securities until such time as they are required for regional investment opportunities, Delivery of Benefits obligations, or corporate operating expenses.

Cash and temporary investment reserves have been set aside in the power project joint ventures to allow for future investigations into the Waneta Expansion, follow up work on the Brilliant Expansion, and the funding of sustaining capital improvements on the Brilliant Dam and Arrow Lakes Generating Station. Future dividends will be determined based on annual cash earnings, working capital requirements, reserves for future capital replacement, and financing for new power project investment opportunities.

Capital Expenditures

(in thousands)	Actual	Forecast
	2007/08	2008/09
Arrow Lakes Power Corporation	$ 103	$ 384
Brilliant Expansion Power Corporation	11,579	9,739
Power Project Planning - Waneta Expansion	2,539	6,015
Brilliant Power Corporation	1,157	1,533
Real Estate - Congregate Care Facilities	5,959	4,238
CBT Corporate	229	655
	$ 21,566	$22,564

The Brilliant Expansion project was in the final stages of completion during 2007/08 and incurred development costs totalling $11.6 million. The project reached a significant milestone by achieving substantial completion in September 2007. The joint venture partners, CBT and CPC, were involved in a dispute with the contractor for additional costs incurred on the project. CBT and CPC have settled all contractor claims from the construction of the Brilliant Expansion project, including a $13.9 million addition to the contract price which has been included as part of the construction cost of the project. CBT's portion of this settlement is $6.9 million. As a condition of the settlement, CBT and CPC will undertake in-stream works necessary to improve the hydraulic conditions of the tailrace area of the Brilliant Expansion, at their own cost and risk. We have included an estimate for the cost of this work in our financial forecasts although, due to the uncertainty of fully determining these costs, they have not been recorded in the financial statements.

Further investigations into the feasibility of the Waneta Expansion project continued this year and totalled $2.5 million. Provincial environmental regulatory approval was received for the project in November 2007. After extensive further analysis of the project by both CBT and CPC, a decision has now been reached to seek proposals on the project from contractors and engineering teams. With investigations continuing further in 2008/09, capital expenditures are currently forecasted at approximately $6.0 million.

In 2007/08, capital expenditures for both the Arrow Lakes Generating Station and Brilliant Dam totalled $1.3 million. These upgrades primarily address sustaining capital projects and will continue in 2008/09 with total capital expenditures forecasted at $1.9 million.

CBT continues to invest in congregate care facilities throughout the Columbia Basin. Approximately $6.0 million was further invested into these facilities in Creston, Kimberley, Cranbrook and Fernie in 2007/08. An additional $4.2 million will be invested in a new congregate care facility located in Fruitvale and expansions to existing facilities.

Corporate capital expenditures for CBT totalled $229,000. This consisted of upgrades to computer hardware and software, leasehold improvements made to the Cranbrook office, and purchase of office furniture and equipment. CBT has forecasted $655,000 for corporate capital expenditures in 2008/09, consisting of leasehold improvements to the Columbia Basin building, ongoing upgrades of computer equipment, and the purchase of new office furniture.

4. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2007, CBT adopted section 3855 titled "Financial Instruments," a new accounting standard issued by the Canadian Institute of Chartered Accountants. As a result, transaction costs attributable to financial instruments classified as other than held-for-trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument. This has resulted in deferred financing costs being reclassified on the Statement of Financial Position to long-term debt. These costs have been taken into earnings using the effective

interest rate method. Prior to April 1, 2007, transaction costs were recorded as deferred debt issue costs and recognized in net earnings on a straight-line basis over the life of the financial instrument.

5. ORGANIZATIONAL OVERVIEW AND RISKS

Throughout the year, CBT completed organizational reviews of policies and risks in many departments. This review included the following core areas of the organization:

Finance & Accounting

An extensive review of CBT's financial management policies was completed this year. This included the implementation of new policies with some amendments to existing policies. CBT will continue to have sound financial practices to ensure its financial resources are properly safeguarded and managed.

Human Resources

CBT continued to develop a strong and effective human resources framework. This framework will allow the organization to meet its priorities by attracting and retaining knowledgeable and skilled employees. The increase in provincial economic growth continues to impact the availability and cost of labour. In a tight labour market, particularly with a smaller organization such as CBT, there are key person dependencies within various departments and any loss of these employees poses a risk to CBT.

Investment

The implementation of the Statement of Investment Policies and Procedures includes the continued involvement in the financial oversight and governance of our investments in power projects and allows for a more focused approach on non-power investments.

Despite extensive pre-development investigations, the construction of large-scale projects, such as hydroelectric generating stations, involves considerable risk. Although many of these risks can be mitigated in advance, there are others that require ongoing monitoring and assessment to ensure the project is completed on time and on budget. Once a project reaches commercial operation, many of the risks associated with the construction phase are no longer a concern. An event that negatively affects the operations of CBT's power projects can result in substantial decreases to revenues, which affects future Delivery of Benefits funding.

Delivery of Benefits

CBT continues to deliver programs and initiatives through a number of partners, including local governments and not-for-profit organizations. Staff actively manage these contracts to ensure any risks that might impact delivery are appropriately addressed. One of the challenges moving into the future is determining how best to return benefits to the region. There are numerous social, economic, and environmental issues in the Columbia Basin and CBT needs to accomplish its mission in the most meaningful and effective manner.

6. COMPARISON TO SERVICE PLANS

CBT provides a service plan each year to the British Columbia legislature under the Budget Transparency and Accountability Act. The service plan outlines CBT's goals, objectives and key strategies, along with the results it expects to achieve for the following three year period. An amount that was previously allocated to investment income has been reclassified to a recovery. Comparative figures for the Service Plan 2007/08 in investment income and operating expenses have been reclassified.

(in thousands)	Actual	Service Plan	Variance	Three Year Forecast		
	2007/08	2007/08	Amount	2008/09	2009/10	2010/11
Revenues						
Power projects	$17,376	$13,242	$4,134	$13,922	$14,257	$17,799
Investment income	3,721	1,990	1,731	3,416	3,513	3,187
Contributions from the Province of BC	2,089	2,000	89	2,000	2,000	2,000
	23,186	17,232	5,954	19,338	19,770	22,986
Operating Expenses (net of recoveries)	3,800	4,142	342	4,540	4,575	4,625
Operating Income	19,386	13,090	6,296	14,798	15,195	18,361
Delivery of Benefits	5,350	7,000	1,650	10,000	12,000	12,000
Excess of revenues over expenses	**$14,036**	**$6,090**	**$7,946**	**$4,798**	**$3,195**	**$6,361**
Capital expenditures	$21,566	$20,420	$1,146	$22,829	$76,817	$116,641
Full-time equivalents	34.5	32.5	2	34.5	35	35

Power Projects

Insurance recovery for Arrow Lakes Generating Station, higher than expected power sales, lower operating and interest expenses, combined with a decrease in expected Brilliant Expansion revenues, contributed to net income from power projects being $4.1 million more than forecasted.

Investment Income

Investment income was $1.7 million higher than forecasted. This was primarily due to the recovery of a loan loss provision of $650,000 combined with an increase in income securities income of $900,000. The increase in the income securities revenues was due to increasing cash balances made available by dividend payments being issued from joint venture power projects. Lower than expected finance charges resulted in real estate income being $125,000 higher than expected.

Operating Expenses (net of recoveries)

Operating expenses, net of recoveries, were $342,000 less than forecasted. This decrease was due to lower information technology expenses combined with an increase in the recoveries from joint venture partners.

Delivery of Benefits

In addition to disbursing $5.4 million in 2007/08, CBT has an additional $2.5 million in outstanding financial commitments through Delivery of Benefits programs at March 31, 2008. These commitments have been approved and have either not yet been disbursed, or are linked to actual project completion with a portion of funds held back until CBT is satisfied that projects are complete.

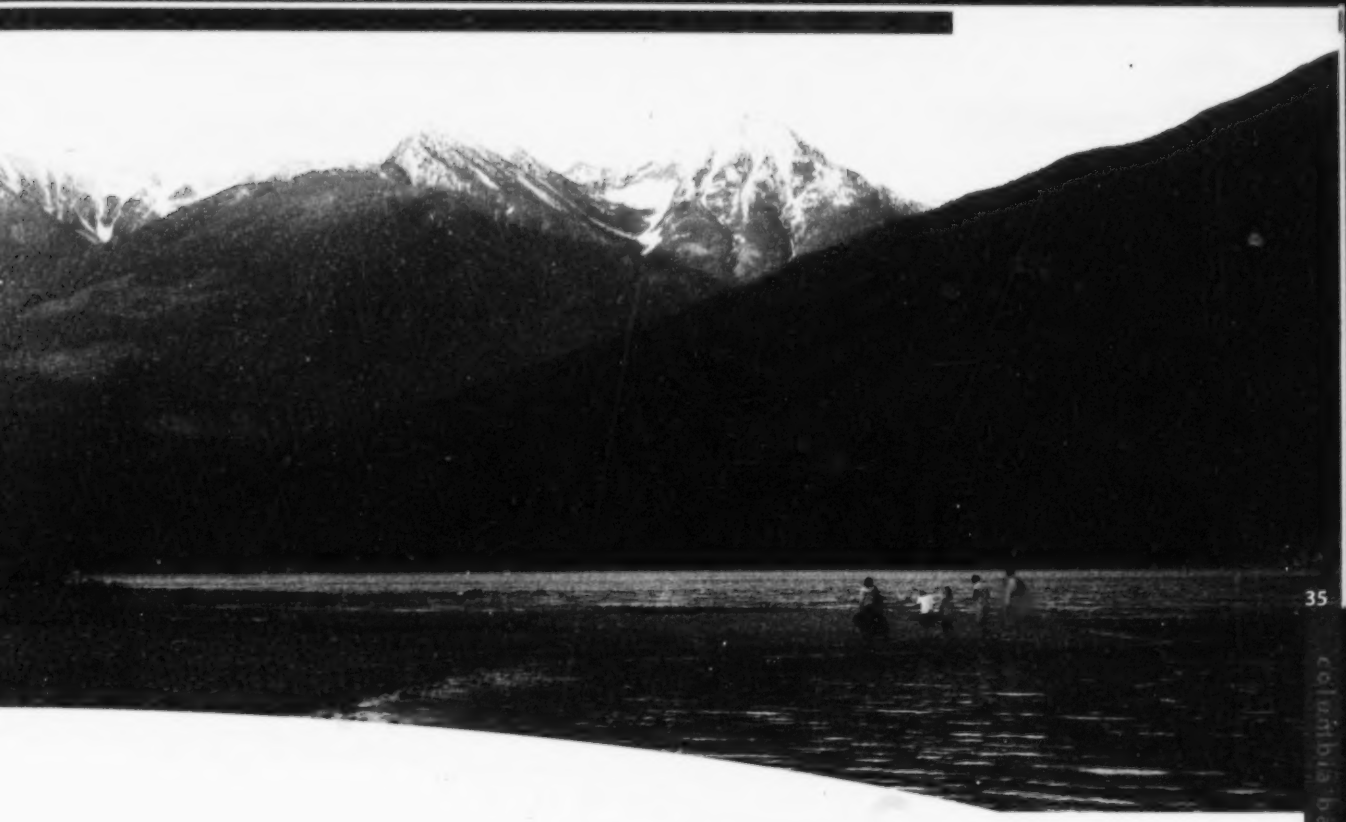
7. FIVE-YEAR REVIEW

(in thousands)	2003/04	2004/05	2005/06	2006/07	2007/08
Revenues					
Power projects	$8,493	$6,585	$3,456	$14,555	$17,376
Investment income	1,670	1,588	1,265	2,722	3,721
Contributions from the Province of BC	2,000	2,000	12,110	1,996	2,089
	12,163	10,173	16,831	19,273	23,186
Operating expenses (net of recoveries)	3,630	3,901	4,327	3,929	3,800
Operating income	8,533	6,272	12,504	15,344	19,386
Investment write-downs	7,767	3,778	-	-	-
Delivery of benefits	3,866	4,276	4,156	5,256	5,350
Excess (deficit) of revenues over expenses	**($3,100)**	**($1,782)**	**$8,348**	**$10,088**	**$14,036**
Long-term debt	$158,606	$153,795	$133,729	$131,432	$131,013
Net assets	$466,061	$483,868	$343,729	$353,817	$367,526

8. FUTURE OUTLOOK

Looking ahead, CBT is expecting to receive strong revenues from all areas of investments. The power revenues are based on a full year of operations for both Arrow Lakes Generating Station and the Brilliant Dam. A partial year of revenues is forecasted for the Brilliant Expansion Power Corporation as operations will be suspended for a period of time while in-stream work related to the tailrace repair is done. Real estate revenues will continue to increase as congregate care facilities become operational. Business loan revenues are expected to remain stable with revenues from income securities expected to increase based on expected cash balances.

The combination of these expected revenues have allowed CBT to forecast a further increase of $3 million to be committed to Delivery of Benefits programs and initiatives in 2008/09. This increased funding will result in a total of $10 million available to Delivery of Benefits programs and initiatives for Basin communities. CBT has also committed to a funding increase of an additional $2 million for a total of $12 million for Delivery of Benefits programs in each of 2009/10 and 2010/11.



Forecasted operating expenses are expected to increase in 2008/09 due to an increase in corporate staffing levels and related travel expenses. Amortization expense will also increase with the improvements to the Columbia Basin Building, that are expected to be complete in September 2008.

Further investment in congregate care facilities will continue in 2008/09 with the construction of a 53 unit congregate care facility in Fruitvale. The completion of this facility is expected by November 2008. The completion of two other congregate care facility expansions in Creston and Fernie is expected in 2008.

CBT and CPC have been approved, subject to Eco Logo Certification, for an ecoEnergy Power grant related to the construction of the Brilliant Expansion project. This program was established by the Government of Canada to support Canada's supply of clean energy. If Eco Logo Certification is obtained, CBT and CPC will be eligible for grants that will be earned at the rate of $10.00 per megawatt hour based on sales of eligible energy generated by the Brilliant Expansion. This program has the potential of providing up to $4.7 million per year for ten years for Brilliant Expansion. CBT's portion of these grants is $2.4 million per year. Due to the uncertainty surrounding receipt of Eco Logo Certification, no grants have been recorded in either the 2007/08 financial statements or the future financial forecasts.

Pre-development work on the Waneta Expansion project will continue in 2008/09, with a particular focus on the Request for Proposals process that will result in CBT and CPC receiving development proposals from eligible contractor/engineering teams. Economic evaluation of the project is complex and ongoing; however, if the project ultimately proves feasible, construction could commence as early as the spring of 2009 and continue until 2013.

COLUMBIA BASIN TRUST CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2008

CONTENTS

Responsibility for Financial Reporting 37

Auditor's Report 37

Consolidated Financial Statements

Statement of Financial Position 38

Statement of Operations 39

Statement of Changes in Net Assets 40

Statement of Cash Flows 41

Notes to Financial Statements 42

RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts that are based on estimates and judgements. Management believes that the financial statements fairly present CBT's consolidated financial position and results of operations. The integrity of the information presented in the financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The financial statements have been approved by CBT's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that CBT's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of financial statements. These systems include formal written policies and appropriate delegation of authority and segregation of responsibilities within the organization.

The independent external auditors, Yule Anderson Johnstone, Chartered Accountants, have been appointed by CBT's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, CBT's financial position, results of operations, changes in net assets and cash flows in conformity with Canadian generally accepted accounting principles. The Auditor's report follows and outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.

Neil Muth
President & Chief Executive Officer

Christine Lloyd
Controller

AUDITOR'S REPORT

To the Directors of Columbia Basin Trust:

To the Minister of Economic Development:

We have audited the consolidated statement of financial position of Columbia Basin Trust as at March 31, 2008 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Basin Trust as at March 31, 2008 and the results of its operations, changes in its net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Castlegar, B.C.
May 30, 2008

Yule Anderson Johnstone
CHARTERED ACCOUNTANTS

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2008 (in thousands of dollars)

	2008	2007
ASSETS		
CURRENT		
Cash and temporary investments (Note 3)	$ 22,670	$ 23,316
Recoverable channel repair costs (Note 4)	6,450	2,159
Unbilled power project revenue	4,713	4,629
Accrued interest and other assets	6,525	2,538
	40,358	32,642
INVESTMENTS		
Power projects (Note 5)	367,510	362,452
Income securities (Note 6)	45,383	38,067
Real estate (Note 7)	33,147	27,276
Business loans (Note 8)	10,655	10,559
	456,695	438,354
OTHER		
Capital assets (Note 10)	2,549	2,621
Deferred amounts (Note 11)	24,708	22,177
	27,257	24,798
	$ 524,310	$ 495,794
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 13,000	$ 4,194
Accrued interest expense	2,867	2,979
Current portion of long-term debt (Note 12)	12,671	6,766
	28,538	13,939
LONG-TERM DEBT		
Long-term debt (Note 12)	128,246	128,038
NET ASSETS		
Power projects (Restricted) (Note 17)	276,968	276,767
Unrestricted	90,558	77,050
	367,526	353,817
	$ 524,310	$ 495,794

Approved on behalf of the Board of Directors:

Garry Merkel
Chair

Mike Berg
Chair, Audit Committee

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF OPERATIONS
For the year ending March 31, 2008 (in thousands of dollars)

	2008	2007
REVENUES		
Power projects (Note 5)	$ 17,376	$ 14,555
Investment income (Note 13)	3,721	2,722
Contributions from the Province of B.C.	2,089	1,996
	23,186	19,273
OPERATING EXPENSES		
Amortization	305	290
Board and committee expenses	198	183
Corporate travel and meetings	207	160
Information technology/systems	58	133
Office and general	436	451
Professional and consultants fees	219	535
Public relations	339	139
Staff remuneration and development	2,751	2,491
	4,513	4,382
RECOVERIES		
Recovery from Columbia Power Corporation (Note 18(a))	493	344
Recovery of management services (Note 18(b))	220	109
	713	453
OPERATING INCOME	19,386	15,344
Delivery of benefits (Note 19)	5,350	5,256
EXCESS OF REVENUES OVER EXPENSES	$ 14,036	$ 10,088

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the year ending March 31, 2008 (in thousands of dollars)

	Power Projects (Restricted)	Unrestricted	2008	2007
NET ASSETS, beginning of year	$ 276,767	$ 77,050	$ 353,817	$ 343,729
Cumulative effect on prior periods of retroactive application of financial instruments standards	-	(327)	(327)	-
REVISED NET ASSETS, beginning of year	276,767	76,723	353,490	343,729
Additional power project cash available for distribution	201	(201)	-	-
Excess of revenues over expenses	-	14,036	14,036	10,088
NET ASSETS, end of year	$ 276,968	$ 90,558	$ 367,526	$ 353,817

The accompanying notes are an integral part of this consolidated statement.

COLUMBIA BASIN TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ending March 31, 2008 (in thousands of dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from investment income	$ 4,589	$ 2,989
Cash generated by power project joint ventures and distributed	17,123	6,650
Cash generated by power project joint ventures and not distributed	51	13,412
Cash received from the Province of B.C.	2,089	1,996
Cash paid for operating expenses	(4,417)	(3,511)
Cash paid for Delivery of Benefits disbursements	(5,350)	(5,256)
	14,085	16,280
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Investment in power projects	(5,956)	(17,559)
Investment in deferred power project costs	(2,276)	(2,551)
Purchase of investment deposits and securities	(7,316)	(7,008)
Repayment of business loans	550	1,505
Investment in real estate projects	(4,990)	(5,309)
Purchase of CBT office assets	(229)	(173)
	(20,217)	(31,095)
CASH FLOWS FROM/APPLIED TO FINANCING ACTIVITIES		
Proceeds from placement of debt	11,484	4,473
Repayment of debt	(5,998)	(5,668)
	5,486	(1,195)
INCREASE (DECREASE) IN CASH	(646)	(16,010)
CASH, beginning of year	23,316	39,326
CASH, end of year	$ 22,670	$ 23,316

The accompanying notes are an integral part of this consolidated statement.

1. NATURE OF COLUMBIA BASIN TRUST

Columbia Basin Trust (CBT) is a corporation established by the *Columbia Basin Trust Act*. The purpose of CBT is to manage its assets for the ongoing economic, social and environmental well being of the Columbia Basin region. The sole share of CBT is held by the Minister of Finance on behalf of the Province.

The Province initially provided CBT with $276 million that is restricted to investments in power projects, $45 million in unrestricted endowment capital and $32 million in operating grants payable in annual instalments of $2 million until 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

CBT is a not-for-profit organization as defined by Canadian generally accepted accounting principles and accordingly follows the accounting standards applicable to such organizations.

(b) Consolidation

The accounts of CBT and its subsidiaries are consolidated in these financial statements. Intercompany balances and transactions have been eliminated. The interest of CBT's subsidiaries in joint ventures is consolidated by CBT on a proportionate basis. Under the proportionate consolidation method, CBT records, on a line-by-line basis within its consolidated financial statements and notes, its proportionate share of the joint ventures' assets, liabilities, revenues, expenses and cash flows.

(c) Revenue Recognition

CBT follows the deferral method of accounting for contributions. Endowment contributions are recognized as direct increases in net assets.

(d) Income Securities

Deposits and short-term debt securities held for investment purposes are recorded at cost, which approximates market value. If the value of a particular deposit or security held for investment suffers an other than temporary decline in value the carrying value is written down accordingly. All gains and losses on sales of securities, write-downs to record other than temporary declines in the values of deposits or securities held for investment, and the amortization of discounts or premiums are included in net investment income.

(e) Business Loans

Loans are stated net of an allowance established to recognize anticipated losses. This allowance is determined by reference to specific loans in arrears and by judgment of management based on loan collection experience. A general allowance is also maintained to absorb credit losses attributable to any deterioration in the overall loan portfolio.

(f) Capitalization and Amortization

Capital assets are recorded at cost and are amortized on a straight-line basis over their expected useful lives. Amortization begins when assets are placed into service. The expected useful lives, in years, are:

	Years
Power projects	
Arrow Lakes Generating Station	5 - 80
Brilliant Dam	30 - 80
Brilliant Expansion	40 - 80
Real estate	
Buildings and improvements	30
CBT office	
Computer equipment and software	3
Office furniture & equipment	5
Leasehold improvements	4 - 10
Building	30

(g) Deferred Amounts

Costs incurred in determining the feasibility of acquiring investments are deferred. When a project's acquisition or development is complete, the deferred costs form part of the capital cost of the project. If a project is abandoned, the related deferred costs are charged to operations in the period of abandonment. The appropriateness of deferring a project's costs is considered annually. When a project's costs exceed those likely to be recovered, the excess costs are charged to operations.

(h) Deferred Debt Issue Costs

Expenditures incurred in issuing long-term debt are recorded with their associated long-term debt and amortized using the effective interest rate method.

(i) Taxes

CBT is exempt from income taxes under paragraph 149(1) (d) of the *Income Tax Act*. CBT is also exempt from Federal large corporations tax under subsection 181.1(3) of the *Income Tax Act*.

(j) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Asset Retirement Obligations

Some of CBT's assets may have asset retirement obligations. As CBT expects to use the majority of its assets for an indefinite period, no removal date can be determined and as a result, a reasonable estimate of the fair value of any asset retirement obligations cannot be made at this time.

3. CASH AND TEMPORARY INVESTMENTS

	March 31, 2008	March 31, 2007
Restricted Cash	$ 4,126	$ 3,857
Non Restricted Cash	18,544	19,459
	$ 22,670	$ 23,316

The restricted portion of cash is for the payment of construction trust liabilities.

4. RECOVERABLE CHANNEL REPAIR COSTS

In May 2004, damage occurred to a portion of the concrete lining at the bottom of the intake channel of the Arrow Lakes Generating Station. Emergency repairs were undertaken to ensure that integrity of the channel was maintained and intermediate repairs were done to enable the safe resumption of power generation. Permanent repairs were done to improve the integrity of the approach channel and prevent a reoccurrence of the incident.

CBT has been compensated for the costs incurred to repair the intake channel by the project insurer and further amounts will now be received as a result of a mediated dispute process. CBT included a recovery of $4.3 million in revenues in 2007/08 to bring the total recovery receivable to $6.5 million.

5. POWER PROJECTS

CBT participates in power projects through joint ventures with Columbia Power Corporation (CPC), a Crown Corporation.

	March 31, 2008	March 31, 2007
Brilliant Dam	$ 103,046	$ 101,527
Arrow Lakes Generating Station	141,096	145,066
Brilliant Expansion Project	123,368	115,859
	$ 367,510	$ 362,452

The Brilliant Dam is a 145 MW powerplant located on the Kootenay River near Castlegar, BC. The Arrow Lakes Generating Station is a 185 MW powerplant constructed 400 meters downstream of the B.C. Hydro Hugh Keenleyside Dam near Castlegar, B.C. The project also consists of a 48 km 230 kv transmission line that extends from the powerplant to the B.C. Hydro substation at Selkirk. The Brilliant Expansion is a 120 megawatt power generation development near the existing Brilliant Dam.

POWER PROJECT ASSETS ARE AS FOLLOWS:

	Cost	Accumulated Amortization	March 31, 2008	March 31, 2007
Brilliant Dam				
Capital assets in service	$ 119,083	$ (21,270)	$ 97,813	$ 99,141
Land	2,509	-	2,509	2,386
Expansion rights	2,763	(39)	2,724	-
	124,355	(21,309)	103,046	101,527
Arrow Lakes Generating Station				
Capital assets in service	149,138	(18,681)	130,457	133,527
Power sales contract	11,376	(4,433)	6,943	7,932
Land	3,696	-	3,696	3,607
	164,210	(23,114)	141,096	145,066
Brilliant Expansion				
Capital assets in service	114,228	(1,175)	113,053	102,634
Expansion rights	10,463	(148)	10,315	13,225
	124,691	(1,323)	123,368	115,859
	$ 413,256	$ (45,746)	$ 367,510	$ 362,452

NET POWER PROJECT INCOME CONSISTS OF:

	March 31, 2008	March 31, 2007
Revenues:		
Sale of power	$ 39,591	$ 33,375
Insurance recovery	4,292	7,212
	43,883	40,587
Expenses:		
Finance charges	(8,420)	(8,524)
Operation of powerplants	(9,872)	(8,163)
Channel repair costs	(417)	(3,015)
Amortization of powerplant assets	(7,798)	(6,330)
	(26,507)	(26,032)
	$ 17,376	$ 14,555

6. INCOME SECURITIES

	March 31, 2008	March 31, 2007
Unrestricted		
Term securities	$ 38,855	$ 31,849
Restricted		
Debt service reserve fund	3,964	3,964
Operating reserve fund	1,306	1,250
Power agreement security account	1,258	1,004
	$ 45,383	$ 38,067

The Debt service reserve fund and the Operating reserve account are required under the terms of joint venture debt financing, which requires that cash or cash equivalents equal to one semi-annual payment on the Brilliant Dam Bonds and an amount equal to one-quarter of annual operating expenses be maintained. The power agreement account secures letters of credit issued to B.C. Hydro for development security under two power sales agreements. These funds are not available to CBT.

7. REAL ESTATE

CBT's interest in congregate care facilities is as follows:

	Land	Building	March 31, 2008	March 31, 2007
Congregate care facilities:				
Operating facilities	$ 2,063	$ 30,635	$ 32,698	$ 26,873
Projects under development	-	2,764	2,764	1,815
Less: Accumulated amortization	-	(2,315)	(2,315)	(1,412)
	$ 2,063	$ 31,084	$ 33,147	$ 27,276

Projects under development consists of expansions to two existing congregate care facilities and the construction of a new congregate care facility. The Crest View Village expansion will add a further 32 living suites to the existing 74 suite Crest View Village facility in Creston, B.C. The Rocky Mountain Village expansion project will add a further 11 living suites to the existing 74 suite Rocky Mountain Village facility in Fernie B.C. Construction of a new 53 unit facility in Fruitvale, B.C. commenced in February 2008 with completion expected by August 2008.

8. BUSINESS LOANS

CBT provides commercial loans that are generally secured by real estate and have terms extending no further than fifteen years. A portion of these loans are made in partnership with other lending organizations, with the remainder of the loans made directly by CBT.

	March 31, 2008	March 31, 2007
Business loans	$ 10,744	$ 11,298
Less: Loan Loss Allowance	(89)	(739)
	$ 10,655	$ 10,559

9. JOINT VENTURES

CBT participates in joint ventures with other parties and accounts for its interests using the proportionate consolidation method. The following amounts represent CBT's proportionate share of the assets, liabilities, revenues, expenses and cash flows of these joint ventures:

	March 31, 2008	March 31, 2007
Assets		
Current assets	$ 28,819	$ 25,431
Investments	406,644	396,734
Other assets	24,708	22,177
	$ 460,171	$ 444,342
Liabilities		
Current liabilities	$ 27,267	$ 13,411
Long-term debt	128,246	128,038
Net Assets		
Power and non-power project investments	304,658	302,893
	$ 460,171	$ 444,342
Net Income		
Revenues	$ 46,356	$ 42,379
Operating expenses	(19,010)	(18,144)
Finance charges	(9,623)	(9,369)
	$ 17,723	$ 14,866
Cash Flows		
Operating activities	$ 18,684	$ 21,003
Investing activities	(14,041)	(25,419)
Financing activities	5,869	(1,195)
	$ 10,512	$ (5,611)

10. CAPITAL ASSETS

During the year, the Columbia Basin Building, the associated land, and the CBT office assets were all reclassifed as capital assets.

CBT's interest in capital assets is as follows:

	Cost	Accumulated Amortization	March 31, 2008	March 31, 2007
Land	$ 70	$ -	$ 70	$ 70
Columbia Basin Building	2,832	(735)	2,097	2,202
Office furniture and equipment	490	(302)	188	58
Leasehold improvements	552	(406)	146	174
Computer equipment & software	1,366	(1,318)	48	117
	$ 5,310	$ (2,761)	$ 2,549	$ 2,621

11. DEFERRED AMOUNTS

CBT's interest in deferred amounts is as follows:

	March 31, 2008	March 31, 2007
Waneta expansion rights	$ 12,700	$ 12,700
Waneta deferred project costs	12,008	9,477
	$ 24,708	$ 22,177

The Waneta Expansion Project is a proposal to install an additional 435 MW power generation facility at the existing Waneta Dam. The Waneta Expansion project is projected to take place over a four year period. The Waneta Dam is owned by Teck Cominco to whom CBT's co-venturer, CPC, paid $25.4 million in 1994 to purchase the rights to undertake an expansion. CBT owns half of the hydroelectric power expansion rights pertaining to the existing Waneta Dams' power generation capability. These rights include options to acquire lands near the Waneta Dam at no additional cost and the right to develop and operate a new hydroelectric facility on this land.

The deferment of power project costs is based on management's judgement of anticipated future events. A number of significant estimates and qualitative factors have been considered by management in determining the viability of each project. Changes in significant assumptions underlying future cash flow estimates for a project can have a material effect on the economic viability of a project.

	March 31, 2008	March 31, 2007
Deferred Costs:		
Project Design	$ 2,523	$ 1,777
Environmental Analysis	2,306	2,144
Socioeconomic Analysis	219	217
Finance/Legal Analysis	978	762
CPC/CBT Management	5,982	4,577
	$ 12,008	$ 9,477

12. LONG-TERM DEBT

	March 31, 2008	March 31, 2007
Power project debt:		
Brilliant Dam bonds Series "A", "B", and "C", interest rates varying between 5.67% and 8.93%, maturing May 2026	$ 76,923	$ 78,799
Arrow Lakes bonds Series "A", bearing interest at 5.39%, maturing March 2015	35,441	39,234
Real estate debt:		
Mortgage loans, interest rates varying between 5.1% and 6.1%, maturing on different dates between November 2009 and August 2013.	25,216	20,165
Loan from Columbia Power Corporation	6,104	
	143,684	138,198
Less: Deferred debt issue costs	(2,767)	(3,394)
Less: Current portion of long-term debt	(12,671)	(6,766)
	$ 128,246	$ 128,038

(a) Brilliant Dam and Arrow Lakes Bonds

The Series "A" bonds bear interest at 8.93%, Series "B" bonds bear interest at 6.86%, and the Series "C" bonds bear interest at 5.67%. The Brilliant Dam bonds are redeemable by CBT in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%, 0.31% and 0.23%, respectively.. The bonds are secured on a limited recourse basis by charges against the Brilliant Dam assets and revenues.

The Arrow Lakes bonds are redeemable in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.23%. The bonds are secured on a limited recourse basis by charges against the Arrow Lakes Generating Station assets and revenues.

(b) Real estate debt

The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of congregate care facilities. The loans are repayable in equal monthly payments of principal and interest amortized over 25 years and are secured by first, fixed and floating charges over all the assets of the congregate care facilities.

(c) Columbia Power Corporation

During the year, CPC advanced $5.9 million in cash to the Brilliant Expansion Power Corporation, a jointly owned corporation, to assist with the construction of the Brilliant Expansion. The advance includes $178 thousand of accrued interest at March 31, 2008.

(d) Guarantees by joint venturers

The joint venturers of the Columbia Village and Creston Village joint ventures are jointly and severally liable for the full amount of the joint venture mortgages. The joint venturers of the Castle Wood Village, Garden View Village, Creston Village, Rocky Mountain Village, and Joseph Creek Village joint ventures gave separate guarantees for 50% of the original mortgage proceeds.

(e) Principal repayments

Principal repayments are estimated as follows:

2009	$ 12,670
2010	6,986
2011	7,415
2012	7,867
2013	8,349
Thereafter	100,397
	$ 143,684

13. INVESTMENT INCOME

	March 31, 2008	March 31, 2007
Real estate		
Revenues	$ 2,462	$ 1,825
Finance charges	(1,204)	(850)
Amortization	(918)	(629)
	340	346
Income securities	1,872	1,498
Business loans	1,509	878
	$ 3,721	$ 2,722

14. NON-RECOURSE CREDIT FACILITY

Consistent with its agreements with its Bondholders, CBT has established a $10 million credit facility. The facility shares the same security as the Bondholders. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

15. COMMITMENTS

(a) Power Project Debt

Under its agreements with its Bondholders, CBT has committed to keep the Arrow Lakes Generating Station and the Brilliant Dam in good operating condition and to affect all necessary repairs and replacements to the Arrow Lakes Generating Station and the Brilliant Dam to maintain the Brilliant Dam entitlement in a manner that is consistent with good industry practice.

(b) CBT Office

CBT has entered into operating lease agreements for its office space with terms expiring at various dates in the future.

(c) Brilliant Expansion

The project approval certificate issued for the Brilliant Expansion by the BC Environmental Assessment Office contains a number of commitments during pre-construction, construction, post-construction and operations phases which are being actively managed by CBT and CPC.

16. CONTINGENCIES

CBT's power project operations and investments activities are affected by federal, provincial and local government laws and regulations. Under current regulations, CBT is required to meet performance standards to minimize or mitigate negative impacts of proposed projects. Furthermore, CBT's agreements with its Bondholders require compliance in all material respects with such laws and regulations. The impact, if any, of future legislative or regulatory requirements on specific projects and financing covenants cannot currently be estimated.

CBT is contingently liable as a guarantor of its co-venturers' portions of certain real estate joint venture debt. As at March 31, 2008 the balance of the co-venturers' portion of the debt was $5.7 million (fiscal 2007- $8.3 million).

CBT and CPC have settled all contractor claims from the construction of the Brilliant Expansion project, including a $13.9 (CBT's portion: $6.9 million) addition to the contract price which has been included as part of the construction cost of the project. As a condition of this settlement, CBT and CPC will undertake instream works necessary to improve the hydraulic conditions in the tailrace area of the Brilliant Expansion, at their own cost and risk. The cost of this work has not been fully determined and therefore not recorded in the financial statements.

CBT and CPC have been approved, subject to Eco Logo Certification, for an ecoEnergy Power grant related to the construction of the Brilliant Expansion project. This program is operated by the Government of Canada to support Canada's supply of clean energy. If Eco Logo Certification is obtained, CBT and CPC will be eligible for grants that will be earned at the rate of $10.00 per megawatt hour based on sales of eligible energy generated by the Brilliant Expansion. This program has the potential of providing up to $4.7 million per year in grants for 10 years for Brilliant Expansion. CBT's portion of these grants is $2.4 million per year. Due to the uncertainty surrounding receipt of Eco Logo Certification, no grants have been recorded in the financial statements.

17. NET ASSETS

Power project investment capital is restricted by the Province's condition that its $276 million power project contribution is to be used to finance the equity requirements of power projects.

18. RELATED PARTY TRANSACTIONS

(a) Columbia Power Corporation

CBT has entered into a contract for the provision of information systems servicing and support to CPC. During fiscal 2008, CPC paid $368 thousand (fiscal 2007 - $220 thousand) under this agreement.

CPC rents a portion of the Columbia Basin Building which is owned by CBT. During fiscal 2008, CPC paid $125 thousand (fiscal 2007 - $125 thousand) under this lease.

(b) Power Project Joint Ventures

Under the terms of their joint venture agreements, CPC and CBT charge the joint ventures for management services. The amounts charged include staff compensation and general overhead costs attributable to joint venture activities (CBT's share is 50%).

		March 31, 2008	March 31, 2007
(i)	Payments to CPC	$ 6,603	$ 7,319
(ii)	Payments to CBT	$ 220	$ 109

The joint venturers also paid $670 thousand (fiscal 2007 - $1.1 million) to B.C. Hydro and Power Authority for project consulting services, which were provided at market rates.

19. DELIVERY OF BENEFITS

In addition to disbursing $5.4 million in 2007/08, CBT has an additional $2.5 million in outstanding financial commitments through delivery of benefits programs at March 31, 2008. These commitments have been approved and have either not yet been disbursed, or are linked to actual project completion with a portion of funds held back until CBT is satisfied that projects are complete.

20. FINANCIAL INSTRUMENTS

(a) Fair value

CBT's financial instruments consist of cash and cash equivalents, securities, receivables, accounts payable, accrued liabilities and long-term debt. The carrying values reported in the balance sheet for cash and short-term investments, receivables, accounts payable and accrued liabilities approximate fair value, due to the short-term nature of those instruments. The fair values of the securities and the long-term debt are not significantly different from their carrying values.

(b) Interest rate risk

CBT is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities. All of CBT's long-term liabilities bear interest at fixed rates.

(c) Credit risk

CBT's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, securities and business loans. Cash and cash equivalents and securities are invested in securities issued by well-capitalized financial institutions with investment grade credit ratings. An assessment of the credit worthiness of a borrower is carried out prior to the placement of a business loan.

21. COMPARATIVE FIGURES

Certain 2007 comparative figures have been reclassified to conform to the current year's presentation.

This appendix contains excerpts from the 2007/08 – 2009/10 Service Plan.

INVESTMENTS

The following outlines goals, strategies, measures and targets that relate to CBT's portfolio of investments, including power assets.

Goal

CBT's investment program goal is to generate a predictable, sustainable, and appreciating income stream to fund delivery of benefits obligations and corporate operating expenses.

This has been changed from previous service plans to clearly link the primary function of the investment program (generation of income) to delivery of benefits.

Investment Guidelines

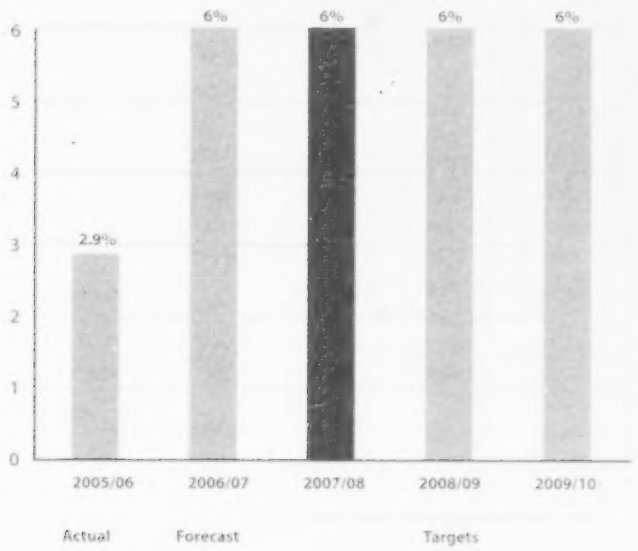
- CBT adheres to the principles of a prudent investor and requires investment returns commensurate with the level of risk assumed.
- The investment priority will be opportunities located in the Columbia Basin region.
- CBT believes the best performing and most profitable investments are those that maintain high ethical and environmental standards, and commit to the principles of strong corporate governance.
- Notwithstanding CBT's large investment in hydroelectric projects, efforts will be made to diversify non-power investments by industry and location.
- CBT values financial partnerships and when possible, will undertake investments in cooperation with other organizations.

Strategies

- Communicate directly with financial partners throughout the Basin in order to originate high quality investment opportunities.
- Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.
- Identify and develop investment programs that target areas of quality opportunity not otherwise addressed by conventional lenders.
- Remain fully engaged with management of CPC during the pre-development and operating phases of our jointly held power projects.
- Complete development and implementation of a new investment policy that supports the goal identified above.

Guidelines/Strategies have been changed from previous service plans to reflect the recommendations arising from CBT's comprehensive review of the investment portfolio.

Nominal annual return on non-power investments



Financial performance benchmarks are currently under development for the power assets.

DELIVERY OF BENEFITS

Goal

CBT's goal is to deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities. These benefits are delivered through CBT's range of programs, projects and strategic initiatives.

Strategies

- Engage in communities throughout the Columbia Basin to help them address their needs.
- Work with advisory committees in social, economic, environmental, water and youth areas to identify strategic priorities.
- Develop tools for assessing the social, economic and environmental State of the Columbia Basin.
- Establish and implement an evaluation schedule of delivery of benefits programs and use the results to help guide future funding decisions.

Benefits delivered by projects/programs

Actual	2005/06	Three programs evaluated	CBT defined the next steps for its State of the Columbia Basin work (this work entails developing indicators on the social, economic and environmental State of the Columbia Basin)
Forecast	2006/07	One program evaluation	Continue development of prototype indicator report on the social, economic and environmental state of the Columbia Basin
Targets	2007/08	At least one program evaluated	Public review of prototype indicator report, review and revise where necessary
	2008/09	At least one program to be evaluated	Set target in 2007/08
	2009/10	At least one program to be evaluated	Set target in 2007/08

- Ensure information is available on its programs to Columbia Basin residents through staff and the website, www.cbt.org, and develop and implement a communications strategy.

Strategies have been changed from previous service plans to reflect the current and future direction of CBT's approach to delivery of benefits.

The challenge for CBT is to create measures for its delivery of benefits programs that indicate how CBT's work is strengthening the overall social, economic and environmental well-being of the Columbia Basin. By committing to evaluating at least one program a year, CBT will receive valuable information about the impact of its funding on Columbia Basin residents. CBT keeps records of all of its evaluation work and those evaluations will be considered when CBT annually reviews its delivery of benefits programs. CBT's second target relates to the process of collecting information on the current state of Columbia Basin. By first collecting and analyzing this information, CBT aims to eventually be able to set a baseline for its performance and measure its long-term impact on the Columbia Basin.

The forecast for 2006/07 and target for 2007/08 have been revised to clarify that the main focus of CBT's State of the Basin work in that time span is to develop a prototype indicator report.

CORPORATE

Goal

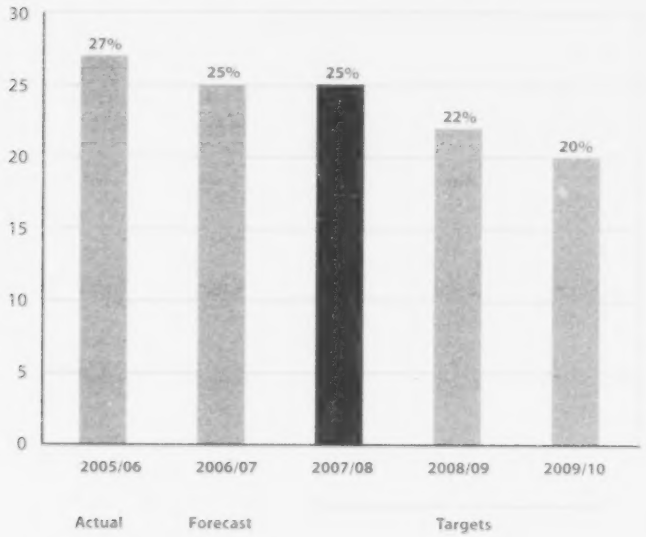
CBT's goal is to support and enable the effective management of the investments and delivery of benefits programs.

Strategies

- Review and revise financial management policies.
- Implement a new human resources framework.
- Develop tools to identify, assess and address risks and opportunities.

Strategies have been changed from previous service plans as a result of a CBT review of existing policies and practices related to corporate operations.

Corporate operations as a percentage of revenues (%)



CBT prepares forecasts of its revenues and corporate operations costs quarterly and is able to report out on its actual performance after fiscal year end and once the external audit is complete. CBT forecasts are affected by information provided by CPC relating to the power projects.

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